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File: Pipeline (para 6)

## THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

22 March 1982

National Intelligence Council

MEMORANDUM FOR: [REDACTED]

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FROM: Maurice C. Ernst

SUBJECT: Results of the Buckley Mission

1. I talked briefly by telephone with Norman Bailey concerning his assessment of the results of the Buckley mission. He was reasonably pleased with these results, although quite uncertain about whether we could obtain any formal agreement from the Europeans to restrict credits to the USSR.

2. Bailey is aware that private market attitudes are a crucial element determining Soviet bloc access to Western credit. His "hidden agenda" during the mission was to further sensitize the private market as to the parlous state of the Soviet and East European hard currency positions. He feels progress is being made in this area [REDACTED]

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3. As to the specific objectives of the Buckley mission, there was strong support from the British, the Italians, and most of the small NATO countries. All of the NATO country reps, except the Germans and French, expressed support publicly when the Buckley group spoke to them in Brussels. The Germans were very negative, stating that restricting government-guaranteed credits was contrary to their policy and would be tantamount to cutting German exports, which depended heavily on such credits. The Germans apparently believe, moreover, that they had achieved agreement with Secretary Haig on the pipeline issue and did not have to take the Buckley mission seriously. Steps are being taken to disabuse them of this view.

4. The big surprise of the Buckley group discussions was the French claim that a 1981 protocol to their bilateral economic agreement with the USSR obligates France to provide government-guaranteed credits for any long-term contracts that may be signed under the agreement. However, the French refuse to make a copy of the protocol available and apparently are treating it as a state secret. [REDACTED]

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[redacted] If the French are correct about the protocol, it will be very difficult to construct an agreement to restrict government-guaranteed credit.

5. In spite of the problems in Bonn and Paris, it was agreed to follow up the Buckley mission with bilateral talks in those two capitals on the financial issues. If these talks are successful, they will result in bilateral protocols which will be as specific as possible as to joint objectives and methods for controlling credit. It would then be possible to schedule a conference of the principal creditors in late April or early May.

6. Bailey found that changes in energy market prospects were eroding European interest in Soviet gas. Although the pipeline would be built, the Europeans might take a smaller volume of gas than previously expected. The Italians were extending their pause before signing an agreement. The Belgians had decided not to sign. The French were thinking of buying the minimum amount of gas specified in the contracts. The Germans would like to lower the minimum. And the British, by ending the monopsonistic position of their gas utility, were making it easier to plan for a triangular deal including Norwegian gas.

Maurice C. Ernst

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